

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



44TH DISTRICT AGRICULTURAL ASSOCIATION
COLUSA COUNTY FAIR
COLUSA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #09-043
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

44TH DISTRICT AGRICULTURAL ASSOCIATION
COLUSA COUNTY FAIR
COLUSA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Samprit Shergill

Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#09-043

44TH DISTRICT AGRICULTURAL ASSOCIATION
COLUSA COUNTY FAIR
COLUSA, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Laurie Costa, President
Board of Directors
44th DAA, Colusa County Fair
1303 10th Street
Colusa, California 95932

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 44th District Agricultural Association (DAA), Colusa County Fair, Colusa, California, as of December 31, 2008 and 2007, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 44th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the 44th District Agricultural Association, Colusa County Fair, as of December 31, 2008 and the results of its operations and changes in accountability, and cash flows-regulatory bases for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In 2007, we were unable to apply general auditing procedures without extensive effort to satisfy ourselves about the disclosed amount for Account #241, Guaranteed Deposits (stated at \$55,855) as reflected on the accompanying Statement of Financial Condition as of December 31, 2007. As of December 31, 2007, the Fair could not provide us the supporting

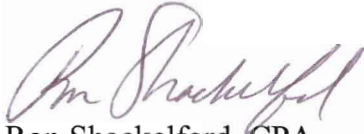


documentation to reconcile the account with the balance in the general ledger, we noted a net overstatement of \$25,195.

In our opinion, except for the effects on the 2007 financial statements of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the 44th District Agricultural Association, Colusa County Fair, as of December 31, 2007, and the results of its operations and changes in net resources for the year then ended, in conformity with the basis of the accounting described in Note 2 of the financial statements.

The 44th DAA, Colusa County Fair has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #09-043, on the 44th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 44th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in dark ink, appearing to read "Ron Shackelford", is written over a light blue rectangular background.

Ron Shackelford, CPA
Chief, Audit Office

May 1, 2009

**44TH DISTRICT AGRICULTURAL ASSOCIATION
COLUSA COUNTY FAIR
COLUSA, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2008 and 2007**

	<u>Account Number</u>	<u>2008</u>	<u>2007</u>
ASSETS			
Cash in Bank	111 - 119	\$ 110,811	\$ 188,991
Accounts Receivable, Net	131	4,750	16,902
Deferred Charges	143	8,829	8,676
Construction in Progress	190	30,055	39,294
Land	191	3,298	3,298
Buildings and Improvements, Net	192	1,234,372	889,622
Equipment, Net	193	-	4,961
TOTAL ASSETS		<u>1,392,115</u>	<u>1,151,744</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable & Other Payable	212	6,999	42,756
Current Portion of Long Term Debt	212.5	2,770	5,334
Taxes Payable	221 - 226	114	406
Deferred Income	228	123,069	99,426
Guaranteed Deposits	241	60,960	55,855
Compensated Absences Liability	245	32,903	38,198
Long Term Debt	250	-	2,770
JLA Consignment	252	-	1,820
Total Liabilities		<u>226,815</u>	<u>246,565</u>
Net Resources			
Reserve for Junior Livestock Auction	251	19,188	10,030
Net Resources - Operations	291	(118,844)	(39,256)
Net Resources - Capital Assets, less related Debt	291.1	1,264,956	934,405
Total Net Resources Available		<u>1,165,300</u>	<u>905,179</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 1,392,115</u>	<u>\$ 1,151,744</u>

**44TH DISTRICT AGRICULTURAL ASSOCIATION
COLUSA COUNTY FAIR
COLUSA, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2008 and 2007**

	Account Number	2008	2007
REVENUE			
State Apportionments	312	\$ 180,000	\$ 180,000
Other Millennium Flex	313	25,000	40,000
Capital Project Reimbursement Funds	319	392,970	8,694
Admissions	410	102,740	97,888
Commercial Space	415	17,450	14,100
Carnival	421	52,761	54,100
Food Concessions	422	32,241	30,558
Entry Fees	431	11,211	7,355
Attractions - Fairtime	460	50,060	38,309
Interim Attraction	469	164,797	164,460
JLA Revenue	476	38,279	31,549
MSF Revenue	477-478	58,769	58,576
HCF Revenue	479	18,001	17,877
Interim Revenue	480	103,394	78,073
Prior Year Adjustment	490	15,125	7,887
Other Revenue	495	8,644	12,096
Total Revenue		<u>1,271,442</u>	<u>841,522</u>
EXPENSES			
Administration	500	240,925	213,455
Maintenance and Operations	520	336,673	306,502
Publicity	540	34,219	31,246
Attendance	560	27,867	28,215
Miscellaneous Fair	570	8,155	7,598
JLA - Expense	576	29,122	25,212
HCF Expenses	579	10,725	12,645
Premiums	580	19,489	13,595
Exhibits	630	23,603	29,827
Fair Entertainment Expense	660	87,201	61,716
CFS Interim Entertainment	669	65,361	76,713
Interim Rodeo	670	39,767	
Equipment Expense	723	-	-
Prior Year Adjustments	800	(8,833)	(3,748)
Cash Over/Short from Ticket Sales	850	9	(213)
Depreciation Expense	900	72,038	58,679
Non-Capitalized Millennium Flex	945	25,000	10,500
Total Expenses		<u>1,011,321</u>	<u>871,942</u>
RESOURCES			
Net Change - Income / (Loss)		260,121	(30,420)
Resources Available, January 1		905,179	935,599
Resources Available, December 31		<u>\$ 1,165,300</u>	<u>\$ 905,179</u>

**44TH DISTRICT AGRICULTURAL ASSOCIATION
COLUSA COUNTY FAIR
COLUSA, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 260,121	\$ (30,420)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	12,152	(12,573)
(Increase) Decrease in Deferred Charges	(153)	(5,319)
Increase (Decrease) in Deferred Income	23,644	(17,035)
Increase (Decrease) in Accounts Payable	(35,757)	16,445
Increase (Decrease) in JLA Consignment	(1,820)	1,820
Increase (Decrease) in Current Portion of Long-Term Liability	(2,564)	260
Increase (Decrease) in Taxes Payable	(292)	470
Increase (Decrease) in Compensated Absence Liability	(5,295)	7,847
Increase (Decrease) in Guarantee Deposits	5,105	10
Total Adjustments	<u>(4,980)</u>	<u>(8,075)</u>
Net Cash Provided (Used) by Operating Activities	<u>255,141</u>	<u>(38,495)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction in Progress	9,239	(39,294)
(Increase) Decrease in Buildings & Improvements	(344,750)	42,277
(Increase) Decrease in Equipment	<u>4,961</u>	<u>4,961</u>
Net Cash Provided (Used) by Investing Activities	<u>(330,550)</u>	<u>7,944</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	<u>(2,770)</u>	<u>(5,342)</u>
Net Cash Provided (Used) by Financing Activities	<u>(2,770)</u>	<u>(5,342)</u>
NET INCREASE (DECREASE) IN CASH	(78,179)	(35,893)
Cash at Beginning of Year	188,991	224,884
CASH AT END OF YEAR	<u><u>\$ 110,811</u></u>	<u><u>\$ 188,991</u></u>

**44TH DISTRICT AGRICULTURAL ASSOCIATION
COLUSA COUNTY FAIR
COLUSA, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 44th District Agricultural Association (DAA) was formed for the purpose of sponsoring, managing, and conducting the Colusa County Fair each year in Colusa, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAAs to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the DAA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned

rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 30 years, and purchases of equipment are depreciated over five years. Costs of repair and maintenance are expensed as incurred by the DAA. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. The costs of projects that have not been placed in service are recorded in Account #190, Construction-in-Progress, and no

depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2

NEW ACCOUNTING STANDARDS

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, ("GASB Statement No. 45"). This statement establishes standards for the measurement, recognition, and display of postretirement benefits other than pensions expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement becomes effective for the District for periods beginning after December 15, 2007. Management has not determined the effect of GASB Statement No. 45 on the combined financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Receivables and Future Revenues*, ("GASB Statement No. 48"). GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should not be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This statement is effective for periods beginning after December 15, 2006. Adoption of this statement did not have a material impact on the combined financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, ("GASB Statement No. 49"). GASB Statement No. 49 requires governmental entities

to report pollution remediation costs in their financial statements. It identifies five obligating events under which the government should estimate the expected obligations for pollution remediation. Under the standard, liabilities and expenses will be estimated using an “expected cash flows” measurement technique, which will be employed for the first time by governments. Further, the standard requires that governments disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements with periods beginning December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. Management has not determined the effect of GASB Statement No. 49 on the combined financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, (GASB Statement No. 50”). GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (“OPEB”) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, (“GASB Statement No. 25”), and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, (“GASB Statement No. 27”) to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, (“GASB Statement No. 43”) and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). GASB Statement No. 50 will be effective for financial statements with periods beginning after June 15, 2007. Management has not determined the effect of GASB Statement No. 50 on the combined financial statements.

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, (“GASB Statement No. 51”). GASB Statement No. 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). GASB Statement No. 51 will be effective for financial statements with periods beginning after June 15, 2009. Management has not determined the effect of GASB Statement No. 51 on the combined financial statements.

NOTE 3

CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	2008	2007
Petty Cash	\$ 200	\$ 200
Cash in Bank - Operating	7,927	13,643
Cash in Bank - Premium	963	963
Cash in Bank - Payroll	-	(14,809)
Cash in Bank -LAIF	524	7,830
Cash in Bank – Savings (Umpqua)	86,840	179,297
Cash in Bank - JLA	12,400	-
Cash in Bank - Investment & Savings	1,957	1,867
	<hr/>	<hr/>
Total Cash and Cash Equivalents	\$ 110,811	\$ 188,991
	<hr/>	<hr/>

NOTE 4 **ACCOUNTS RECEIVABLE**

The DAA is required to record an allowance for doubtful accounts based on estimates of collectability.

	2008	2007
Accounts Receivable	\$ 8,433	\$ 9,899
Accounts Receivable-JLA	6,788	7,845
Accounts Receivable-Interest	-	95
Accounts Receivable-UI	1,050	1,653
Allowance for Doubtful Accounts	(11,521)	(2,590)
	<hr/>	<hr/>
Accounts Receivable - Net	\$ 4,750	\$ 16,902
	<hr/>	<hr/>

NOTE 5 **PROPERTY AND EQUIPMENT**

Buildings and improvements, and equipment at December 31, 2008 and 2007 consist of the following:

	2008	2007
Building & Improvements	\$2,573,305	\$2,161,096
Less: Accumulated Depreciation	(1,338,933)	(1,271,474)
Building & Improvements - Net	<hr/> \$1,234,372	<hr/> \$ 889,622
	<hr/>	<hr/>
Equipment	\$ 122,802	\$ 122,802
Less: Accumulated Depreciation	(122,802)	(117,841)
Equipment - Net	<hr/> \$ -	<hr/> \$ 4,961
	<hr/>	<hr/>

NOTE 6 **LONG-TERM DEBT**

The DAA has entered into a long-term loan agreement with California Construction Authority (CCA) to finance the Photovoltaic power-generating project on the fairgrounds. The terms of the agreement are as follows:

CCA Photovoltaic Loan:

Loan Amount	\$ 24,806
First Payment Date	July 1, 2004
Payment Amount	\$ 468
Duration of Loan	60 Months
Interest Rate	5%
Total Outstanding at 12/31/2008	\$ 2,770
Current Portion at 12/31/08	\$ 2770
Long-Term Portion at 12/31/08	\$ -

NOTE 7

RETIREMENT PLAN

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 8 **RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

NOTE 9 **LITIGATION**

The DAA is subject to various claims and legal actions relating to a range of matters that are incidental to the conduct of its operations, the DAA's management believes none of which will have a material effect on its financial position or results of operations.

**44TH DISTRICT AGRICULTURAL ASSOCIATION
COLUSA COUNTY FAIR
COLUSA, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 44th DAA Board of Directors
1	Chief Executive Officer, 44th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



44TH DISTRICT AGRICULTURAL ASSOCIATION
COLUSA COUNTY FAIR
COLUSA, CALIFORNIA

MANAGEMENT REPORT #09-043

YEAR ENDED DECEMBER 31, 2008

44TH DISTRICT AGRICULTURAL ASSOCIATION
COLUSA COUNTY FAIR
COLUSA, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2008

AUDIT STAFF

Ron Shackelford, CPA
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Samprit Shergill

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#09-043

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Laurie Costa, President
Board of Directors
44th DAA, Colusa County Fair
1303 10th Street
Colusa, California 95932

In planning and performing our audit of the financial statements of the 44th District Agricultural Association (DAA), Colusa County Fair, Colusa, California, for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Colusa County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 44th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 44th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly



recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 44th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 44th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 44th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 44th DAA and compliance with state laws and regulations, we identified three areas with reportable conditions that are considered weaknesses in the Fair's operations: accounts receivable, opportunity purchases, and accounting for compensated absences. We have provided four recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 44th DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTS RECEIVABLE

The Fair did not properly account for its outstanding accounts receivables prior to closing the accounting records and preparing the year-end financial reports. Within its general ledger and on the 2008 Statement of Operations (STOP), the Fair listed its outstanding collectible accounts receivable balance at \$13,852, while specifying that only \$629 was doubtful to collect. However, our office analyzed the Fair's receivable files and determined that approximately \$9,000 in accounts receivable listed as collectible by the Fair, were in fact doubtful to collect. By understating Account #131.1, Allowance for Doubtful Accounts, by approximately \$9,000, the Fair also overstated its net resources by the same amount. As specified within the Division of Fairs and Expositions (F&E) Accounting Procedures Manual (APM), an allowance for doubtful accounts should be recognized in the accounting records when it is determined that the amounts due to the fair will probably not be collected.

Recommendations

- 1. The Fair should make the necessary correcting journal entries to ensure that Account #131, Accounts Receivable, and its related contra-asset account, Account #131.1, Allowance for Doubtful Accounts, are fairly stated in the general ledger.*
- 2. At year-end, the Fair should review all outstanding accounts receivable for their collectability. An allowance for doubtful accounts should be established for all outstanding receivables deemed to be uncollectible.*

OPPORTUNITY PURCHASES

The Fair's compliance with State of California purchasing procedures was reviewed and our office noted the Fair did not comply with the APM when making opportunity purchases. The Public Contract Code (PPC) states that local businesses often provide opportunity purchases to local Fairs that may be purchased locally at a price equivalent to or less than that available through the state purchasing program; however, to claim an opportunity purchase, the Fair must demonstrate and provide copies of bid information or exemption justification when necessary. Also as per APM, the Fair must demonstrate that an opportunity purchase meets or beats the state price.

Recommendation

- 3. The Fair should follow PPC and the guidelines in the APM for claiming opportunity purchases, which require obtaining bids and documenting that the price for the opportunity purchase meets or beats the state price.*

ACCOUNTING FOR COMPENSATED ABSENCES

Our office analyzed the Fair's accounting for compensated absences and noted the Fair did not adequately track overtime hours used by one employee. One permanent employee's ending leave balance for overtime hours in December 2007 was not carried forward correctly to the beginning balance in January 2008. As a result, the employee's leave balance for overtime was overstated by 72 hours at the start of 2008. During 2008, the employee used or was paid for all overtime hours that were reflected on her leave card. As a result, the employee was paid erroneously for 72 hours of overtime that she was not entitled to. It should be noted that as of December 31, 2008, the employee has over 300 hours of other types of compensated absences available.

Recommendation

4. *The Fair should make the necessary adjustments to the employees leave records by reducing other compensated leave balances by the 72 hours of overtime the employee erroneously cashed.*

NON-REPORTABLE CONDITIONS

TEMPORARY EMPLOYEES

The 44th DAA allowed two temporary employees to work in excess of the 119-day limitation within a calendar year. These two employees worked 166 and 215 days, respectively. According to the APM, temporary employees may not work more than 119 days in a calendar year. This was a prior year audit finding.

Recommendation

The Fair should continue to monitor the number of days worked by temporary employees to ensure that the 119-day limitation is not exceeded. In addition, the Fair should comply with the APM by ensuring temporary employees do not work in excess of the 119 day limitation.

ACCOUNTS PAYABLE

The Fair made an attempt, but did not fully accrue all liabilities at the year-end. Our office noted unrecorded liabilities of \$4,262 which consists of \$1,850 from 2006 which were still outstanding in 2009 and \$2,412 relating to 2008 paid in 2009. The accrual basis of accounting requires the recognition of expenses within the period incurred. If expenses have been incurred but yet not billed, an effort should be made to reasonably estimate and accrue the liability for the amount owed. This should be done prior to closing the accounting records and preparing the annual STOP.

Recommendation

Accounts payable at year-end should include all known payables, including estimates of utilities, even though billings have not yet been received.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



COLUSA COUNTY FAIR
"HOME OF THE BIG WHEEL"

CAROLAN FERRERIA MEEK
C.E.O.

1303 10th Street, Colusa, CA 95932
(530) 458-2641 or 458-2661
Entry Dept. (530) 458-5662
Fax: (530) 458-2645
E-mail: ceo@thefarmshow.com

September 8, 2009

Ron Shackelford, Chief
CDFA Audit Office
California Department of Food & Agriculture
1220 N Street, Room 344
Sacramento, CA 95814

Dear Ron:


Attached please find the 44th District Agricultural Association Audit Response for year ended December 31, 2008.

We appreciate the help and guidance offered during our examination.

If you have any questions, please feel free to call me at any time.

Sincerely,


Carolan Ferreria Meek
Chief Executive Officer


Joy Shifflett
President of the Board

Enclosure

CC: Division of Fairs and Expositions

**44th District Agricultural Association
Management Report 09-043
Response to Audit FY 2008**

REPORTABLE CONDITIONS

ACCOUNTS RECEIVABLE

Recommendations

- 1. The Fair should make the necessary correcting journal entries to ensure that Account #131, Accounts Receivable, and its related contra-asset account, Account #131.1, Allowance for Doubtful Accounts, is fairly stated in the general ledger.*
- 2. At year-end, the Fair should review all outstanding accounts receivable for their collect ability. An allowance for doubtful accounts should be established for all outstanding receivables deemed to be uncollectible.*

The Fair has taken further action to write off these debts with Board approval. The Fair will also ensure that in the future, we will record any uncollected debt appropriately.

OPPORTUNITY PURCHASES

Recommendations

- 3. The Fair should follow PPC and the guidelines in the APM for claiming opportunity purchases, which require obtaining bids and documenting that the price for the opportunity purchase meets or beats the state price.*

The Fair currently follows the proper guidelines in the Accounting Procedures Manual and does maintain a detailed purchasing log. Additionally, the Fair purchases through CFSA, which currently conducts the documentation for the bid process so that the Fair doesn't have to. Further purchasing will continue through CFSA per the legislation that allows the Fair Opportunity Purchases. The Fair will also document an Opportunity Purchases that are made outside of the CFSA purchasing system.

ACCOUNTING FOR COMPENSATED ABSENCES

Recommendations

- 4. The Fair should make the necessary adjustments to the employee's leave records by reducing other compensated leave balance by the 72 hours of overtime the employee erroneously cashed.*

The error in this computation was discovered at year end of 2008 from the change over from the accounting from CFSA to our own in-house bookkeeper. This adjustment has been corrected and the employee's leave record is now correct.

NON REPORTABLE CONDITIONS

TEMPORARY EMPLOYEES

Recommendation

The Fair should continue to monitor the number of days worked by temporary employees to ensure that the 119-day limitation is not exceeded. In addition, the Fair should comply with the APM ensuring temporary employees do not work in excess of the 119 day limitation.

The Fair makes every effort to comply with the State Constitution by formally tracking the days worked in a calendar year by temporary employees. The Fair has since evaluated its accounting processes and has already made an adjustment in 2008 by moving ins accounting in office by contracting with another Fair for a Business Assistant one day per week. The tracking system is now in place to rectify this problem for 2009. Management at the Fair can assure CDFA that this issue will be handled for 2009.

ACCOUNTS PAYABLE

Recommendation

Accounts payable at year-end should include all known payables, including estimates of utilities, even though billings have not yet been received.

The Fair did make all known payable, including estimates of telephone, gas, and electric bills known. Per CFSA, these estimates were not posted to the Accounts Payable ledger, but coded in each corresponding account. This will be corrected for the future.

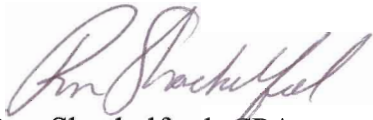
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 44th DAA, Colusa County Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between April 20, 2009 and May 1, 2009. My staff met with management on May 1, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA
Chief, Audit Office

May 1, 2009

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 44th DAA Board of Directors
1	Chief Executive Officer, 44th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office